July 20, 1960

Investor's Reader

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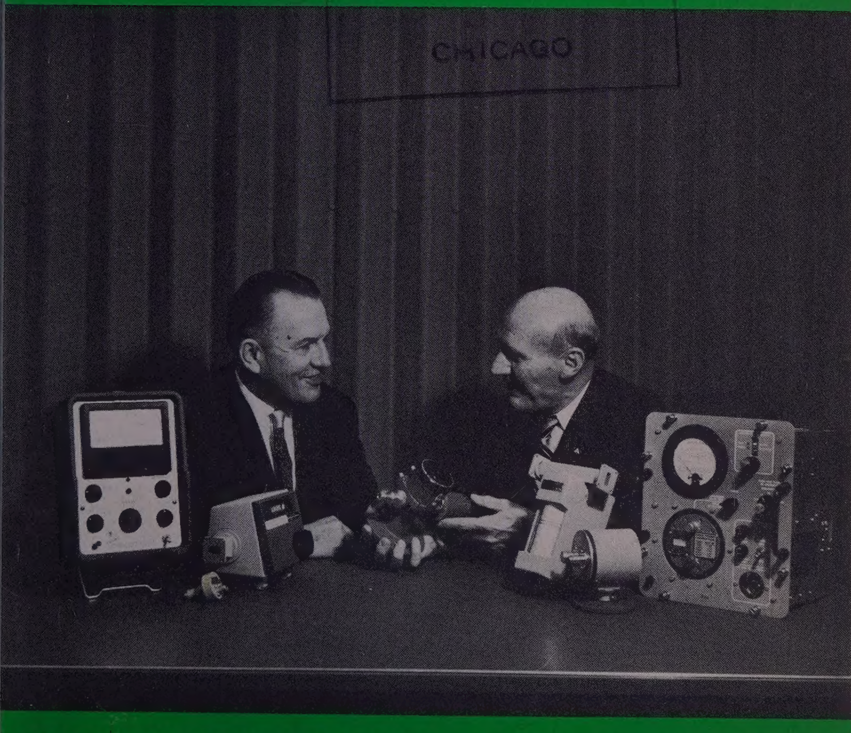

ELECTRONICIANS DIVELY (L) & WEBER OF HARRIS-INTERTYPE (see page 15)

AMPHIBIOUS AMF

Multifarious American Machine & Foundry started out some sixty years ago as a supplier of cigaret manufacturing & packaging machinery, soon added bakery equipment. It is still a leader in all these categories but today it is best known—and best paid—for its extensive line of bowling equipment with its 56,000 domestic and 300 foreign Pinspotter installations.

While expecting continued good profits from bowling (especially as Pinspotters already installed will continue to provide good rental income for years), on-the-move AMF recently indicated it hoped to make water its "Pinspotter of the Sixties." It referred to systems for desalting seawater for home and industrial purposes, now under intensive study. Meantime one of its many sidelines has already put AMF into a different part of the water business. Its sporty Voit division which specializes in skin diving and playground supplies has just arranged for the pert young lady pictured above to use its precision-tested diving gear for the first underwater swim across the English Channel. Jane Baldasare, a slim, 25-year-old housewife, is starting training at Britain's Brighton, to prepare for her arduous 50-to-60 hour underwater attempt in late August.

Sports, smokes and pretzels aside, AMF's extensive product roster covers motors and relays, power tools and accessories, oil well drilling and recovery equipment, stitching machines, rubber goods and tread rubber, steel products related mainly to the petroleum industry, atomic reactors & components and radiation processing equipment.

This impressive diverse array brought 1959 sales & rentals to a record $283,700,000 and earnings to a high of $19,000,000 or $2.52 a share v $1.66 in 1958 and 13¢ a share a decade ago. The company started 1960 with first quarter sales up 23% and earnings of 85¢ v 71¢. The second quarter has been good and the rest of the year is expected to continue the pace to new highs. On the Big Board AMF common trades around 64, eleven points below the alltime high early this year but 2½ times last year and 15 times ten years ago.

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Investor's Reader

No 2, Vol 35 July 20, 1960

Rise in Local Supermarkets

Growth Spurs
Stock Offerings
And Big Board Listings

FOR THE first time in the recent history of food supermarkets a number of local chains are not only holding their own against much larger competitors but are expanding rapidly in their own area. Among other indications of their new stature, the local grocers are invading the national security markets.

No less than thirteen of these aggressive regional and local supermarket chains have come to investors with their first public stock offerings within the past year—eight of them since January alone. In addition, two established regional chains, $170,000,000-sales Penn Fruit Company of Philadelphia and $90,000,000-sales Borman Food Stores of Detroit have just listed their common stock on the Big Board. There they joined $60,000,000-sales Food Mart of Texas which listed itself last Summer. The newcomers, of course, are dwarfed by national chains like A&P and Safeway.

These regional food chains vary widely in size (see table, pg 2), but all of them are located in cities or areas they think best for population growth. Several such as Hill's and Smilen Food Stores are expanding on Long Island where population as well as the number of supermarkets is increasing steadily. One sage observer remarked: "The question is which is growing faster." Albertson's, Big C Stores and Fred Meyer are in the Pacific Northwest. Alterman's hopes to capitalize on the population rise of Atlanta and Giant Foods banks on Washington, DC. Eagle serves the Davenport-Moline area plus Chicago; Shop Rite caters to west Texas and New Mexico; Star Markets serve Boston suburbs and Rhode Island while Pueblo is

on the Enchanted Isle of Puerto Rico.

Some reasons for the rash of public stock offerings by these retailers include the evident advantages of capital for new stores, enhanced credit, prestige for gaining good store sites and the lessened risks of multiple ownership.

Another likely factor is respect for the FTC by both national and local chains. Suggests the president of one large Eastern chain: "A chain will hesitate to acquire a company whose stores compete directly with its own markets. This is the sort of thing the FTC watches very carefully." With big chains thus wary, growing local chains can no longer look for takeovers by a larger company as so many have done in the past. Instead they must largely seek to expand on their own.

A recent study by the powerful FTC shows that in 1948-58 ten of the largest national chains acquired nearly 1,500 food stores in over 100 deals. Also during the ten-year period chain stores increased their share of the market from 29 to 38% while the number of chains dropped from approximately 210 to 180. Technically to the FTC a chain is eleven or more stores.

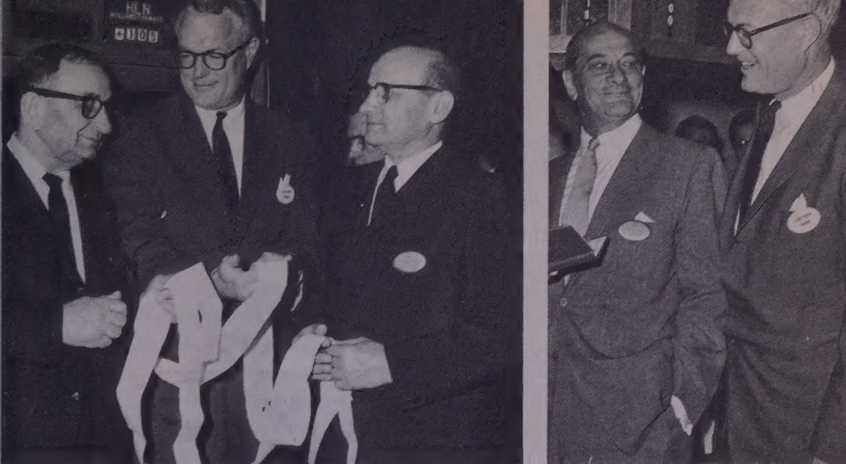
Furthermore, FTC chairman Earl T Kintner has warned: "Remedial steps will be recommended wherever evidence of abuse of free competition is discovered." Most operators heeded these words since no big chain has made a recent major merger and some have actually spun off earlier acquisitions. Last year even before the report was issued the FTC brought formal charges against Kroger for more than 40 acquisitions extending as far back as 1928 and National Tea for acquisitions of 13 corporations over a seven-year period. It also is blocking the proposed merger of California chains Von's and Shopping Bag. All three cases await court rulings.

Size Speaks. A factor spurring the local operator is industry ad-

SOME REGIONAL CHAINS GONE PUBLIC

	No of Stores	—Latest 12-month— Sales (millions)	Earnings (thousands)	Common Shares (thousands)	Offering Price*	Recent Price
Albertson's, Inc	52	$89.3	$1,003	1,701	11	10
Alterman Foods, Inc	46	53.0	885	735	16	16
Big C Stores	15	17.2	272	444	10¼	8
Borman Food Stores	48	90.7	1,639	1,152	21⅞	19
Eagle Food Centers	33	54.4	1,061	654	17⅜	21
Fred Meyer	16	50.4	1,023	1,478	12	10
Giant Foods	50	122.4	1,308	1,285	16	13
Hill's Super Markets	19	35.8	444	604	11	11
Penn Fruit Company	69	169.2	2,298	1,647	18½	17
Pueblo Super Markets	6	17.7	727	720	12½	13
Shop Rite Foods	49	42.4	481	306	17½	17
Smilen Food Stores	10	19.5	150	470	10	9
Star Market Co	20	61.0	1,154	1,032	16¾	18

*Initial Big Board listing for Borman and Penn Fruit.



President Tom & chairman Al Borman & Penn Fruiter Cooke welcomed to NYSE

vances which narrow the competitive gap between him and the large-sized chains. Thanks to streamlined integrated distribution and merchandising, achieved partly through wholesaler-sponsored cooperatives or voluntary associations of grocers, supermarket methods are available to operators of all sizes.

Some of the regional companies do food processing, others sell under private labels or those of an association. At the same time they enjoy particular savings when they are small, cohesive and agile enough to service all operations from one distribution center.

As national chains have expanded, local ones have also worked to capitalize on advantages of being home grown. These include familiarity with buying habits of the market, local identification and "How'de Ma'm" service.

Of course the rise of smaller chains along with growth of the big ones means one thing for all—more stores. This in turn brings increased competition among supermarkets and chains of every size rather than against the independent grocer, particularly in areas where supermarket expansion has occurred perhaps faster than the growth in population justifies.

Up to the present time pressure on supermarket costs (both competitive and inflationary) along with the general market decline this year, not to mention the concentration of investor interest in more volatile issues, have tended to push many food chain stocks well below their highs. In like regard many of the new issues listed in the table on page 2 show slight declines from their offering prices.

Hopes for continued growth on the part of the regional chains ride with a sentiment expressed by president Hilliard J Coan of Hill's Super Markets on hotly competitive Long Island: "A good small company can beat the socks off a big outfit."

WALL STREET
The Razor's Edge

KEEN competition in the high-grade bond market was illustrated again last fortnight when two big underwriting syndicates were only 2¢ apart on a major deal. The issue was \$50,000,000 of Illinois Bell Tel 4⅞s of 1997. A group headed by Halsey Stuart bid \$1,013.20 for each \$1,000 bond while the runner-up group headed by Morgan Stanley bid \$1,013.18.

MANUFACTURING
Cummins Engine Tunes Up

PROBABLY the only concern to chalk up the rather dubious record of its first 18 years without a profit is Cummins Engine Company of Columbus, Ind. But the 41-year-old firm feels the early effort was well worthwhile. In the Thirties Cummins through intensive research came up with one of the first lightweight, high speed diesel engines and since 1937 the company has motored in the black. Today its 60-to-600 hp motors power trucks, buses, boats, construction machinery, logging equipment. The company's customers include such big truck and heavy equipment makers as Mack, White Motor, Clark Equipment and Dresser Industries.

Cummins also outfits some Dodge and Ford trucks and while GM produces its own truck diesel engines, General Motors Euclid division (construction machinery & earth moving equipment) is a Cummins customer. Even without the truck business, Cummins has for the last eight years made over half the diesel engines for over-the-highway trucks. Sales have followed the growing market and except for a 1958 dip have risen in each of the past eight years, reached an alltime high of \$147,000,000 in 1959. While earnings did not maintain the same steady record, they also reached a new peak last year of \$8,230,000 or \$3.25 a share *v* \$1.55 in 1958 and a former high of \$2.29 in 1956.

The trend continued in the first quarter of this year. Volume climbed 15% to \$36,700,000 while net came to 76¢ a share *v* 65¢. Controller Donald Mellencamp feels "the second quarter will also be above last year" and while it is too early to predict the last half of 1960, "our total will be somewhat better than 1959."

One of the company's "basic principles" is research and "hardly a six-month period goes by when we won't bring out something new." Right now Cummins concentrates on the "stop & go" business or small engines for intracity and suburban vehicles such as dairy & bakery trucks, aircraft servicing units, etc. Controller Mellencamp believes "this is the biggest market available to us. It is dieselized only to a very small extent." In 1959 Cummins introduced six new engines in the lower 70-to-175 hp range, all slated for "stop & go."

To prepare for future demand Cummins this Spring opened a \$6,500,000 addition to its Columbus

Jet-fueled Cummins 'stop & go' diesel truck fuels Delta jet

plant. In 1958 Cummins bought Atlas Crankshaft, one of its long-time suppliers. Three months ago Atlas purchased 45 acres at its Fostoria, Ohio homebase for future expansion. And "we are exploring possibilities" to expand the subsidiary set up at Shotts near Glasgow in 1956 to produce diesel engines for the Sterling area and European Common Market. All told capital expenditures in 1960 "will be about the same as last year or around $10,000,000."

Because of the heavy cash requirements for expansion, dividends have been conservative but the payout has been supplemented by extras and stock dividends. In May the basic rate was increased for the first time since 1948 by 20% to 15¢ quarterly. This followed a 2-for-1 split which increased capitalization to 2,600,000 shares. About two-thirds are closely held. They currently trade over-the-counter around 38, off nine points from the high posted earlier this year but more than double the 1958 low. As for listing, Don Mellencamp says: "We meet most of the requirements and it's been discussed from time to time but there are no immediate plans."

FOODS
Beatrice Basket

LIKE BIG BROTHERS National Dairy and Borden, No 3 dairyman Beatrice Foods Company seeks to dish out a more diverse diet. Last year it realized close to one-third of its total sales from non-dairy products and services.

Actually non-dairy lines are not new to the 62-year-old Chicago firm. Beatrice bought Chinese food specialist La Choy back in 1943. But

Karnes & young stockholder

diversification did not really get started until twelve years later with the purchase of candy bar maker D L Clark. Then in 1957 it added Thos D Richardson (more candies), Bond Pickle and Mario's Food Products (olives & olive oil). The following year Squire Dingee brought more pickles and relish plus preserves and jellies and last year Shedd-Bartush (margarine, peanut butter, salad dressing), Gebhardt Chili Powder (Mexican foods) and Tasty Foods (potato chips) joined the list.

Still highballing along the acquisition track Beatrice this Spring bought Glidden Company's California salad products and margarine business and two weeks ago picked up $4-to-5,000,000-volume candy maker M J Holloway. Beatrice also does some frozen food marketing and operates five public cold storage warehouses.

Although the non-dairy volume grows fastest, the company has also steadily expanded its dairy business. Originally concentrated in the Central Plains region where it distributes its Meadow Gold milk, ice cream etc, Beatrice added strength in the New York area markets with the 1955 addition of fashionable ice creamer Louis Sherry and the year-ago acquisition of yogurt maker Dannon Milk Products.

Fluid milk and cream has enlarged its share of the Beatrice menu from 30% to 37% of total volume in the last decade while ice cream and other manufactured dairy products accounted for a steady 22-to-24%. Non-dairy gains have been mostly at the expense of butter (reduced from 24% in 1951 to 10% in the year ended February 1960) and poultry & eggs (from 5% to 1%). As for the latter, president William George Karnes says "we're practically out of that business now."

The 49-year-old chief executive states the changing product mix reflects a continuing philosophy of "putting out a quality product and emphasizing what the consumer wants. We've progressed from a butter, poultry and eggs outfit to a full-fledged food company—this business is dynamic and you must change with it or be left behind."

All of Beatrice's products, dairy included, are "convenience foods" to Bill Karnes: "Absolutely nothing we put out requires preparation and we intend to keep it that way in view of the trend toward convenient foods." However, he admits non-food lines "are a possibility."

Business abroad became a reality this year with the formation of Beatrice Foods-Malaya Ltd, jointly owned with veteran local firm Fraser & Neave Ltd. A plant scheduled for completion in October will process and sell canned sweetened condensed milk initially but provision has been made for later production of ice cream and cottage cheese. The project is admittedly experimental and will not be consolidated into the parent's accounts this year but president Karnes hopes "after we get Malaya going, we could expand again in the Far East or perhaps South America."

So far its domestic diet has kept Beatrice in good health. In the year ended February sales came to $443,000,000 compared to $385,000,000 in fiscal 1958/9, earnings to $10,300,000 or $3.05 a share *v* $8,900,000 ($2.92), adjusted for a 25% stock dividend in March. The May quarter produced sales of $119,000,000 (up 8% from a year ago) which earned $1,880,000 (up 7%) or 54¢ on each of the 3,306,000 common shares now outstanding.

However, Bill Karnes declares "our reports are not true quarterly earnings—the first three are conservative. Because of our inventory situation we set up substantial reserves and then clean them out in the fourth quarter." He hesitates to make full-year predictions: "A lot depends on the weather. It's safe to say sales will be ahead but before the six-month mark we're pretty careful about any earnings estimates. After October we'll have a better idea of how the year will go."

LABOR
Feathered Flight

THE American transportation industry has suffered many a bruise on featherbeds. Railroads struggle with such problems as the un-firable fireman on diesel locomotives while some of the airlines must accommodate an SRO crowd on the pilots' seats. Even so, the featherbeddings must seem lighter here than in Saudi Arabia where the Mufti has just told Saudi Arabian Airways that any Saudi Arabian hostesses must be chaperoned on all flights by a father, son or brother. While no direct statement was issued, the *New York Times* reports the airline considers this condition "impractical."

RETAIL TRADE
Associated Dry Goods Fashions New Sales And Earnings Record

GLANCING across Manhattan's Fifth Avenue to Lord & Taylor, the ten-story pride and No 1 prestige store of Associated Dry Goods Corp, president Lewis P Seiler pondered his quarter-century association with the $144,000,000-assets company. "There just isn't any other place to shop but an Associated store. Even my wife agrees but then I always pay her department store bills provided she shops at one of our stores."

Fifty-four-year-old president Seiler is well equipped to judge a good shopping mart. The Louisville-born merchant has been in the retail business for 32 years. After his 1928 graduation from Cornell he spent his apprentice years at Chicago's

Mandel Bros, joined the Associated family in 1936 as drapery buyer in the Buffalo J N Adam store. By 1938 he had moved up to vp and manager of home furnishings at Adam.

In 1944 he became vice president of another Associated store, Stewart & Company in Baltimore. Five years later he was picked to head the Baltimore unit, a job he held for seven years before moving back home to Louisville to direct Associated's Stewart Dry Goods stores. Just a year ago Lew Seiler came North again to head the entire Associated family, succeeding Robert J McKim who moved up to chairman. On his desk at 417 Fifth Avenue is a red rose to commemorate his one year tenure as corporation president.

Also celebrating his first year in a new job is Melvin Dawley who succeeded the late Dorothy Shaver as president of fashion-minded Lord & Taylor. When queried about the sales contribution of L&T and its seven branch stores, prexies Dawley and Seiler both hedge, saying they like to keep the competition guessing "and they do guess." Estimates range from a quarter to a half of Associated sales.

More Sales. Getting back to facts president Seiler looks for total Associated sales this year to follow the industry average for a 3-to-5% gain. Associated sales last year were a record $290,000,000, up 11% over 1958. The predicted 1960 gains will come despite last September's closing of the J N Adam store in Buffalo. Associated still owns the building which has since been leased to another store. Adam contributed only about 5% to Associated's 1959 sales and presumably operated in the red.

For the first (April) 1960 quarter, Associated marked up a 2% sales increase to $64,600,000; since then, "although May sales were not so good, June is firmer and more satisfactory." First quarter profits were up 21% to 78¢ a share. For the full year, headman Seiler explains, "it is difficult to make accurate predictions but it should be a satisfactory profit year." Since 1956 Associated has posted record earnings each year. Last year they came to $4.78 and Wall Streeters look for a new record of $5.25 or better this year.

Bolstering last year's record was the May 1959 acquisition of Erie (Pa) Dry Goods Company which president Seiler notes "is doing very well and may soon sport its first branch store." Also Lord & Taylor opened a branch in Washington suburb Chevy Chase last Fall. Headman Seiler notes: "Most branch stores are fully integrated into operations by their second month and some like Chevy Chase are even profitable after the second month. On the whole all our branch stores contribute to earnings before six months."

This year the only new Associated addition will be a branch of Powers Dry Goods which opened in St Paul suburb Highland Park in March. With no other openings scheduled capital expenditures are budgeted down from the $9,700,000 of last

Presidents Seiler and Dawley plan for the future

year to around $7,000,000 this year.

The next big expansion is slated for the Spring of 1961 when Lord & Taylor will increase capacity at Milburn, NJ by 45%, an example of Associated's policy of "building close to needs" and expanding only when the area demands it. That Fall Associated will open a 160,000 square foot J W Robinson (Los Angeles) branch in the San Fernando Valley and a 160,000 square foot branch of Stewart in Baltimore. Still further in the future will be an addition to the Lexington, Ky branch of Stewart Dry Goods.

Associated's current suburban emphasis does not preclude further expansion of downtown facilities. President Seiler comments: "I think we've seen the last of downtown deterioration. The city fathers are aware of their shrinking taxes and realize they must rehabilitate downtown to get folks back. At Associated we see further development of our downtown locations. You can't have a branch without a main downtown unit to set the store tone."

Nor is Associated satisfied with just physical expansion. To provide more fashion impetus the company in the Spring of 1959 set up a central market research operation at its Manhattan headquarters. Lewis Seiler feels "its coordinating of merchandising information among all Associated stores is wonderful and is a great step toward filtering the fashion flair of Lord & Taylor into all Associated stores."

Associated also extends liberal credit to its customers. Lord & Taylor carries only regular 30-day

charge accounts: but the other nine downtown and 13 branch stores "run the gamut of available credit plans. We let the store manager decide which plans are best for his customers. This is in keeping with our general policy of decentralized control. At Associated we try to tailor a store to a community and the store manager is the best judge of how to get the job done."

Liberal credit, extensive services and exclusive merchandising lines also tend to insulate Associated from cut-throat discount house competition. In fact Lewis Seiler warns "the more discount houses invade the soft goods field the more they become aware of the need to increase markups to provide department store services which customers demand."

Another reassuring and pleasing note at Associated comes from the performance of the company's 1,-748,000 shares of common stock which trade at 68 on the Big Board, 24 points above last year and six times a decade ago. Soon Associated may be selling not only high-priced merchandise but also the highest priced department store stock on the Big Board after Federated votes to split its stock 2-for-1 in September.

APPLIANCES
Second Look

IT IS no secret sales of major appliances are just not up to the earnestly anticipated peaks forecast late last year. And while in the words of one observer "it hasn't been a bad year by any means," the appliance makers who boosted production to accommodate the expected sales increases now find themselves with dangerously heavy inventories. Result: almost every appliance maker has been forced to either close down or reduce its work force to bring inventories more in line with sales.

A few prominent examples: General Electric's Hot Point division last month announced a 250-man cut in its refrigeration division "for an indefinite period." Likewise GM's Frigidaire division laid off 1,150 employes in Dayton. More recently the Kelvinator Appliance division of American Motors found it expedient to remain closed the entire week following the Fourth "to readjust inventories." The move affected about 2,000 workers at the company's main appliance plant at Grand Rapids.

But while most appliances are down anywhere from 7-to-15% there are some bright spots. According to the most recent data, sales of gas dryers are up 2% for the first five months of 1960 with a 66% gain for the month of May alone. Increased sales were also scored by the newer major appliances, dishwashers and garbage disposers, which were up 22% and 7% respectively in the same five-month period. Built-in ranges which suffered a 10% sales dip in May were still ahead 4.4% for the five months. And even more encouraging, when it reopened its Grand Rapids plant Kelvinator boosted its clothes dryer production by shifting some employes from the lukewarm automatic washer line.

MACHINERY
Torrington Records

IF THEY ARE civic-minded, Torrington, Conn citizens can invest in two home-based companies each of which also boasts the town's name. One is \$8,000,000-assets Torrington Manufacturing Company which trades over-the-counter around 43, turns out blower wheels and fan blades.

The other is just plain Torrington Company, a \$44,000,000-assets maker of anti-friction bearings, machine needles, bicycles and special metal products. This concern's 1,700,000 common shares were listed on the Big Board in May under the TOR ticker symbol, currently trade around 34.

Discussing the titular similarities of the Torrington duo, Edward B Thompson (nephew of chairman Walter C Thompson) says "we sometimes get their mail and vice versa." But he emphasizes: "There is no connection whatsoever between us."

Torrington Company has no trouble with its identity in industrial circles. Established in 1898, it concentrated on sewing machine needles, later included needles for the textile and shoe industries and even surgeon's needles. In the midst of the Depression, TOR branched into anti-friction bearings which today probably have a slight edge on needles in terms of sales. Secretary Thompson reports: "Our bearings are pretty well diversified. They are used by the auto industry, steel producers, farm equipment makers. This division has good potential."

In 1933 Torrington bought Westfield (Mass) Manufacturing which makes the well-known Columbia bicycles. Says Ed Thompson: "We are definitely one of the leaders in this field." He notes: "The bicycle business is rough. The import situation is not worse but it has not improved. However this will be a good year for Columbia."

For the year ended last month secretary Thompson predicts record totals. "Sales were close to \$66,000,000 and profits were at least \$4 a share." In fiscal 1959 TOR earned \$5,520,000 or \$3.39 a share on \$56,500,000 volume. In view of the good showing the company in May augmented the regular 40¢ quarterly which has been in effect six years with a 40¢ extra, just double the extra paid last year.

Torrington does not consolidate its three wholly owned foreign subsidiaries in Britain, Germany and Italy which last year paid their parent dividends of \$322,000. "This year however dividends, if any at all, will be nominal because we are plowing back their earnings."

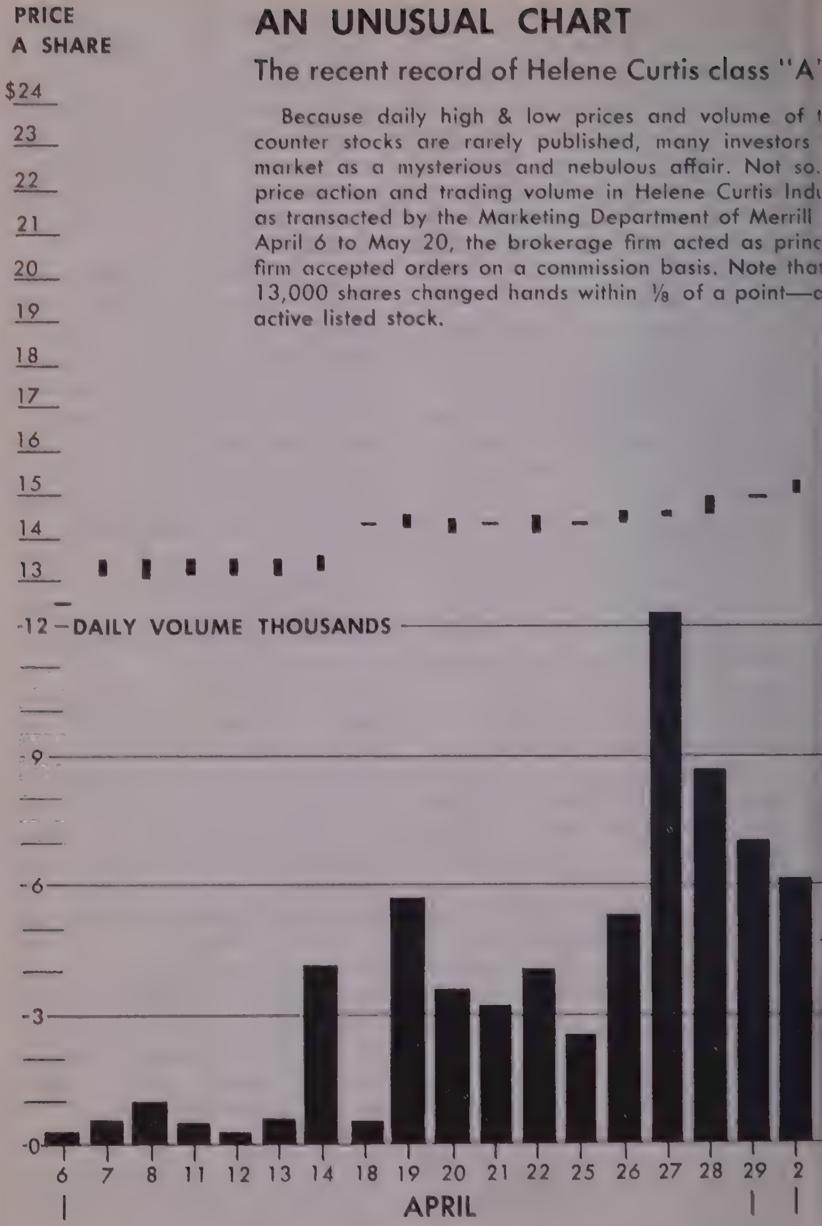
Part of the foreign funds will go into modernization of existing plants. In addition TOR will open a new plant in Wurselen, Germany this Fall. The 90,000 square foot facility will produce both needles and bearings for the Common Market.

But TOR expansion is not limited to abroad. A Walhalla, SC plant for fine-gauge needles to knit seamless hose is scheduled to start up this month. Further plans are not yet definite but "since our business is growing, more domestic expansion will be required."

AN UNUSUAL CHART

The recent record of Helene Curtis class "A'

Because daily high & low prices and volume of t
counter stocks are rarely published, many investors
market as a mysterious and nebulous affair. Not so.
price action and trading volume in Helene Curtis Indu
as transacted by the Marketing Department of Merrill
April 6 to May 20, the brokerage firm acted as princ
firm accepted orders on a commission basis. Note tha
13,000 shares changed hands within ⅛ of a point—c
active listed stock.



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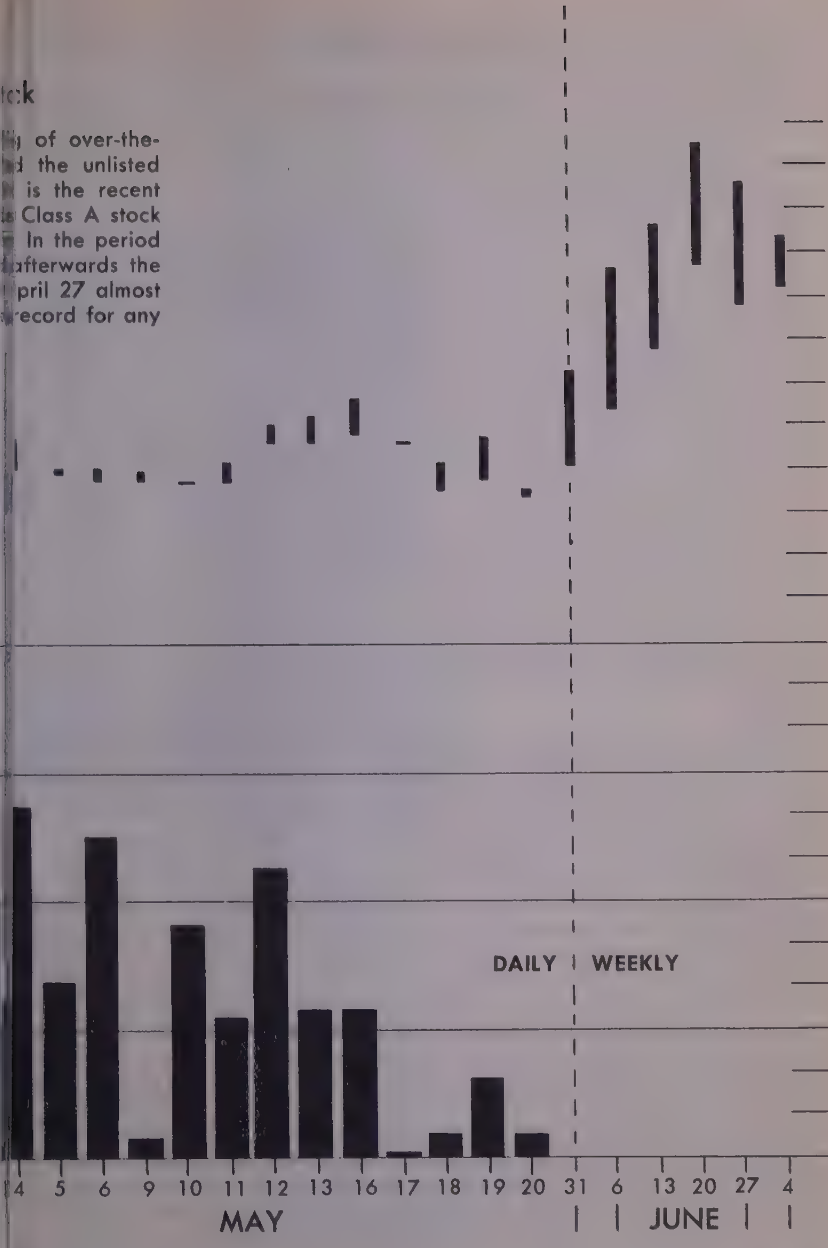


FLINTKOTE FINESSE

These gentlemen may look like demonstrators of the latest infantry weapons but they are engaged in showing off a strictly constructive device: a triple-nozzled jet spray gun unveiled two weeks ago by building materials specialist Flintkote Company. This important time & cost saver can apply two coatings of a basic roofing material such as asphalt along with a simultaneous strengthening stream of glass fibers for a firm, even layer of roofing. Flintkote chairman I J Harvey Jr hails the new spray gun as "the first major breakthrough in new roofing methods since the advent of the strip shingle," promised "cost savings up to 20% can result from roof installation under the new method." Three men can surface 15-to-18,000 square feet in an eight-hour day compared to 8,000 square feet by a five-man crew using standard methods. He also pointed out the "lighter weight of the seamless roof created by the spray gun system provides great opportunities for economy in structural framing."

While the new Flintkote spray method can be used only on flat (not pitched) roofs there are many potential non-roofing applications for sidewalls and insulation, sound deadening and pipe coatings, and as a corrosive protection in water tanks and irrigation ditches.

Flintkote, which in recent years has aggressively coupled new products with acquisitions in its diversification drive, supplemented news of its spray gun with announcement of three proposed acquisitions within the past month: 1) merger with Diamond Portland Cement of Ohio; 2) acquisition of M J Grove Lime Company of Maryland which in addition to lime provides concrete and steel construction materials, also builds roads; 3) 40 square miles of gypsum reserve in Newfoundland. This should further spread out Flintkote's product mix which last year consisted of 26% in building products, 32% in mine products such as gypsum (up from 12% in 1958), 19% in paper products, 10% floor coverings and adhesives, 7% industrial items and asphalt paving blocks and 6% pipe and conduit.

Following 1959's record sales of $221,000,000, first quarter sales inched up 1% but profits fell to 20¢ a share from 32¢. The company blamed adverse construction weather and still hopes full-year net will match last year's near-record $2.61.

Harris-Intertype Presses into Electronics

Boosts New Field to 20% of Sales,
Aims to Make it Half & Half

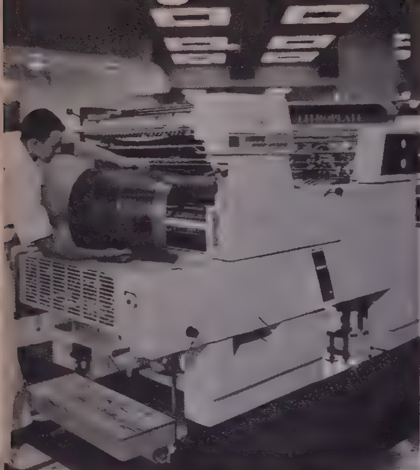
His present aim is $50-to-60,000,000 volume in five years. And when this goal is reached the company plans to branch out into other fields—possibly machine tools in which it has had some experience, or maybe electronics.—IR, October 20, 1954.

PARAPHRASED THUS were the plans of chairman-president George Samuel Dively of $54,000,000-assets printing equipment maker Harris-Intertype Corp, at that time $25,000,000-assets Harris-Seybold. The five-year sales goal was topped with a few million to spare as Harris volume climbed to $63,900,000 from $33,400,000 in 1954; profits during the same period rose to $4,515,000 ($3.90 a share) from $2,400,000 or $3.83, adjusted for stock dividends and a 3-for-2 stock split in 1955.

As for the Dively diversification projection, the current sales distribution shapes up: 80% printing equipment, 20% electronics, 0% machine tools. To George Dively the 80-20 ratio is only part way to the company's goal; eventually he wants the company to be equally strong in electronics and printing equipment. And when that goal is achieved "there will be a third" industry into which Harris will diversify—as yet undecided as well as unannounced.

The Harris-Intertype topman's office looks out from the 15th floor of the Cleveland Electric Illuminating Company's spic & span modern office building on Public Square. Harris, the Illuminating Company itself and Midland-Ross Corp give the building three Big Board companies under one roof. Another tenant: Merrill Lynch. The office is more than walking distance from the Cleveland plant of largest company division Harris-Seybold and farther still from the plants of the company's other divisions. Here in this atmosphere of cleanliness and modern design are conducted the policy making and planning, the acquiring and diversifying of the company. A look at Harris' history shows how the planning has turned out.

Going Public. First, more than 15 years ago, came the task of making over the old Harris-Seybold Company from a family-owned and managed concern into a publicly-held, professionally-managed company. Much of this was accomplished under the guidance of George Dively who came to Harris in 1937 as assistant to the secretary-treasurer, took charge ten years later as president. In the postwar period came concentration on building up the breadth of the line in printing equipment, topped off by the 1957 merger with Intertype Corp (and a new Big Board symbol: HI). Intertype is one of the world's two makers of line casting machines for typeset-



Harris wrap-around press

ting; Mergenthaler Linotype is the other.

Finally in 1957 came the diversification into electronics. As George Dively had suggested, machine tools were considered because Harris wanted a business which would stand it in good stead in a defense emergency. But this cyclical industry was rejected. Electronics was chosen because of its growth prospects but also because "we were seeing more & more of the industry in our own business as controls for printing equipment." George Dively adds: "We wanted to make our next move in a younger, more volatile business, one with more theoretical potential than machine tools."

First acquisition was Gates Radio Company of Quincy, Ill which HI bought in 1957. A major manufacturer of equipment for AM and FM broadcasting stations, and within the last year a producer of a TV transmitter, Gates soon rewarded its acquirers by posting a 25% new orders gain in 1959 for a new record.

Spreading the Word. George Dively notes Gates enables HI to participate in the growth of advertising in an information medium other than printing. Not that he is unhappy about the growth of printed ads which have tripled to nearly $9 billion in the postwar era. But radio & TV ad spending is up more than four-fold to $2 billion-plus.

Adding the ad figure, president Dively purringly cites *Printers' Ink* totals of $11.1 billion nationwide advertising expenditures in 1959 (up 7.6% over 1958) *v* barely $3.5 billion in 1946 and comments: "This growth is about twice that of the national economy. It is significant to our customers in printing, publishing and broadcasting because about three-fourths of their income comes from advertising."

New departures in radio transmission equipment have aided development of small country stations. They can operate unattended up to 14 hours. While they automatically play records, news and commercials, the owner-operators can be out beating the bushes for more ads. George Dively looks happily at FCC figures which show about 1,900 applications now on file for new radio & TV stations or for boosts in power, compared with 1,200 at year-end and 500 three years ago.

For its second major electronics purchase HI in December acquired Polytechnic Research & Development Company, a profit-making offshoot of non-profit engineering college Brooklyn Polytechnic Insti-

tute. PRD Electronics—its shortened name as a Harris-Intertype division —is an important microwave specialist both in research and in production. Output includes such esoterically named testing items as "broad band attenuators," "standing wave amplifiers" and "klystron generators." About 75% of the company's sales ($5,000,000 last year) comes from microwave testing equipment, the remainder from research & development contracts.

The company's plant in downtown Brooklyn has over 400 employes; many of its officers are former Brooklyn Poly faculty members or researchers and its contacts with that institution, particularly its Microwave Institute, will continue to be close. Brooklyn Poly's president Ernst Weber (see cover) continues as a consultant to the company, was part-time president of PRD Electronics. New president is Henry H Michaels Jr, former executive vice president of Aircraft Radio Corp (acquired by Cessna in February 1959).

Gates and PRD represented the fifth and sixth acquisition for Harris in seven years (including Intertype) and the first and second in the electronics field. This does not count the 1956 purchase of Airtronics, Inc, a Washington, DC outfit which was quickly sold. The future will undoubtedly bring acquisition No 7, most likely in electronics, but George Dively drops no hints as to when or who. "We're studying companies all the time. We have to touch base with about 100, run depth charges on about a half dozen, before we get one." A big problem: the high cost of electronics companies in the stock market.

Strength in Divisions. HI operates each of the acquisitions as a division under its policy of "decentralized management and centralized planning." The three largest divisions are Harris-Seybold, maker of offset presses and power paper cutters accounting for 40% of sales; Intertype (25% of volume), Brooklyn-based maker of typesetting machines and Cottrell Company (15%) of Westerly, RI, maker of multicolor presses fed by huge rolls (called webs) of paper.

Harris-Intertype also has an International division which includes the overseas plants of Intertype at Slough (near London) and West Berlin. The British plant is already producing Harris presses in addition to Intertype machines and some Seybold cutters are being built on a subcontract basis by F H Schule of Hamburg, in which HI has a 20% interest.

Besides centralized planning, HI goes in for centralized research for its printing operations (Gates and PRD Electronics carry on their own locally). This allows deeper as well as more research. The company spends about 5% of its sales dollar on research; expenditures in the last decade total about $20,000,000. Almost half of this investment is in products which are just beginning to reach the commercial market. Example: a new line of web-fed offset presses, developed by Harris-Seybold and Cottrell divisions, is expected to "provide a gradually in-

IR's cover rolls off Harris press

creasing volume of business for many years."

Last month the company announced a $1,200,000 order for multicolor offset lithographic printing presses from Western Printing & Lithographing whose total HI orders the past year now come to $3,400,000. Western has long been a prominent HI customer, regularly prints INVESTOR'S READER on Harris presses at its Poughkeepsie plant.

Another prized order for Harris was that placed last December for $6,500,000 in high speed printing presses for *Life;* Harris believes this is "the largest single order ever placed for magazine presses."

From the research department also come some sprightly innovations in printing processes. One is the "Harris wrap-around" press on which a large one-piece metal plate, only one-fifth the thickness of the usual plate used to print letterpress material, is wrapped around the cylinder of the press. It permits much quicker "make ready" time, cutting the time between setting of the type and the actual press run.

Another is the automatic, keyboardless typesetting machine perfected by Intertype division which is fed by punched tape set on a special typewriter. The Intertype Monarch breaks with traditional design by having smooth lines and light gray coloring instead of the usual coal black. Now in use on the South Bend *Tribune,* it reportedly turns out 25% more production than previous tape-run machines.

Alongside the Monarch as an Intertype development is the Fotosetter, a machine which sets type on film instead of bars of hot type

metal. It thus eliminates one of the major sources of complexity in the typesetting process.

New developments coupled with demand for old standbys have helped lift Harris-Intertype's unfilled orders to what George Dively calls "a relatively high level."

Production Result. It will be a month before HI knows the results of its full fiscal year which ended June 30 but it is expected to continue to show as good a margin over last fiscal year as did the first three quarters during which shipments rose 15% to $53,300,000 and earnings to $3.27 a share (including 20¢ non-recurring income) from $2.64. Wall Streeters estimate the figure for the full year should be in the $4.50-to-$4.75 range compared with last year's $3.90. Lately the company's stock has been trading at 65, off a little from its 1960 (and alltime) high of 70⅝.

Harris-Intertype has been paying 37½¢ quarterly (a yield of about 2.2% currently) supplemented by stock dividends—the latest 5% last September. Comments George Dively: "We're a growth company and we have to be long on cash so that we can move into situations which would improve our company." Always in a strong capital position, HI last reported cash of $14,800,000 and $38,100,000 working capital.

George Dively does not offer a prediction for the fiscal year ahead but he is willing to state the Harris-Intertype goal for the next five: double the present sales, with about half the improvement from internal growth and half from acquisitions.

MANAGEMENT

Diversified Dover Gets Lift From Elevators, Feels Pinch in Oil Equipment

TO THE name-conscious stockholder, Dover Corp provides no clue of the company's line or lineage. In fact it even belies its executive offices. Once logically located in Dover, Del (where it is incorporated), the company now calls Washington, DC its executive home.

And it would be difficult indeed to pinpoint the scope of Dover activities in a single corporate title. The company is in no less than ten different businesses which range from fireplace accessories to auto lifts not to mention space heaters, piston rings and oil field equipment.

Product of a three-cornered merger in 1955 (later amplified by several further acquisitions) Dover came into being when Manhattan investment banker George L Ohrstrom combined oilwell equipment maker W C Norris of Tulsa, metallic packing and piston ring maker C Lee Cook of Louisville and auto lift and elevator manufacturer Rotary Lift of Memphis.

Norris and Cook were privately owned. Rotary had been too until it was acquired early in 1954 by Carlisle Corp, then spun off a few months later to Carlisle stockholders (IR, July 6). This equipped Rotary, which formed the corporate base of Dover, with a ready-made stockholder list of 1,500. By now there are 3,300 holders.

At the head of this combine is 61-year-old president Fred Dewey Durham. A Chesapeake Bay oyster

farmer in his leisure hours, Fred Durham had been head of Cook when George Ohrstrom bought him out in 1955 on condition he stay and run the entire combination until a new head could be found. But George Ohrstrom died soon thereafter and Fred Durham has been driving Dover ever since.

Oil Stake. Dover's biggest division is Norris which accounts for about one-third of company sales. One of the nation's largest manufacturers of such items as sucker rods, well-heads, butterfly valves and swage nipples, the business depends heavily on the fortunes of the oil industry. Recently these fortunes have been so bad Norris took a first step toward product diversification. Late last year it introduced a wafer-type butterfly valve with interchangeable rubber and metal seats. Fred Durham reports it can "withstand pressures up to 150 pounds but, more important, it has application in many other industries including chemicals." Actually it can be used in processing any liquids and even "dry things" such as sugar and cement.

Next biggest field is elevators with roughly a quarter of Dover volume. Rotary Lift is the No 1 US maker of hydraulic elevators, also does a big business in hydraulic auto lifts for garages and service stations. To its credit are the 75,000 pound hydraulic elevator in the New York Coliseum — also the rising stage and swimming pool at the Stardust Hotel in Las Vegas.

Since hydraulic elevators must have an oil-filled shaft sunk into the ground to a depth equal to the elevator's rise, this becomes prohibitive for buildings taller than eight stories or so. But Fred Durham happily notes the heaviest construction trend is now in less congested areas where buildings do not rise to skyscraper heights.

Added Lift. However Rotary now also offers traction elevators (both residential and industrial) thanks to the 1958 acquisition of Shepard-Warner. Fred Durham feels elevators are our "fastest growing business, will eventually be bigger than the entire Dover today." Now Dover seeks to expand its elevator service business, recently bought General Elevator of Atlanta. Explains Fred Durham: "We've got a full line of elevators now and there is more profit in service."

Abroad Dover has a "working agreement" with Schindler & Company, Ltd of Switzerland, a European elevator leader, "which is doing some manufacturing for Rotary for the European market. We are also investigating import of certain of their parts such as relays."

In the Fall of 1955 Dover acquired Peerless Manufacturing of Louisville which turns out gas-fired unit & space heaters, also makes a line of fireplace fixtures. Peerless need worry little about a slowdown in housing starts since less than a third of its market is in new homes. In fact, says Fred Durham, "this year our backlog is up 50%—we've got lots of industrial business." One booster of industrial sales is a new line of self-contained gas unit heaters which can be suspended

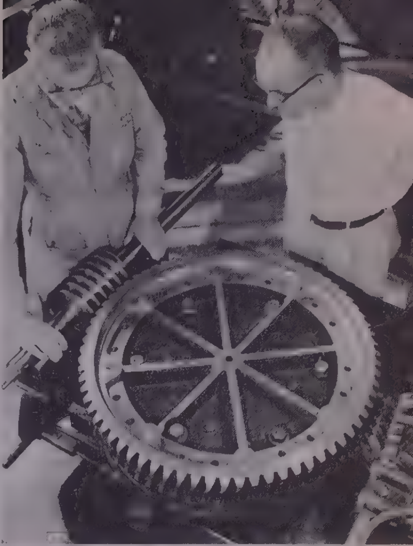
from the ceiling. The growing use of natural and liquefied petroleum gas has also helped Peerless.

Closely related to Peerless is Dura-Vent (acquired in 1956) which makes the gas vent pipe used with gas heaters. However, its markets are mostly residential so "when housing starts are off, we are too." Seeking to broaden its market, Dura-Vent early this year developed a line of prefabricated chimneys which can be used for all fuels.

Service Profits. Dover's Cook division which makes precision piston rings and metallic packing for engines and compressors is the company's smallest but, ex-Cook chief Fred Durham points out proudly, "the most profitable." This is because much of its business is replacement and service. On gas line sealers for example, Fred Durham estimates "for every $100,000 worth of original equipment we put in we get $25,000 worth of renewal ring business every year."

A minute but interesting part of Cook is Airtomics which makes rings for jet engines, guided missiles and the like. Says Fred Durham: "We had the manufacturing knowhow and engineering talent to do the sealing jobs at the high temperatures and pressures jet engines require so it was a natural for us. It's small now but we're optimistic about how far it will go."

The many Dover doings brought in a record $36,720,000 sales last year for a 32% gain over 1958. Profits of $2,560,000 or $2.60 a share compared with $2.01 the previous year and a peak of $3.04 in



Quality control for Shepard gears

1956. Dover's diversification has helped it withstand some of the pressures of economic cycles in some of its key industries—particularly oil. Thus in 1958, with generally lower economic levels throughout industry and particularly oil, Dover managed to stage a slight recovery in both sales and profits.

Predictions Revised. But diversification is not always the answer and this year it has helped Dover little. Profits for the first quarter dipped to 42¢ a share from 60¢ on a 3.6% sales decline. This had been anticipated since last year's first quarter (normally a seasonal low) was bolstered by pre-steel strike buying. But the second quarter fell below company projections. Hence profits for the six months are figured around 85¢ as against $1.35 for the 1959 half. And for the full year Fred Durham has revised his estimate downward from

an original $2.90 to around the same level as last year.

Principal reason has been a far sharper than expected decline in oil equipment business. Nor is this oil stagnation limited to the US. A brand new sucker rod plant recently completed in Edmonton, Alberta has yet to go into production because the market "has shrunk beyond anybody's expectations." Dover is using it as a warehouse.

Dover stock seems little affected. The 978,000 shares, 21% of which are held by the George Ohrstrom estate, 7% by directors, trades on the Big Board around 21, only three points below its high for the year. The peak was 27 last year; the low 11½ in 1956.

For the long run Dover executives look for growth. From within, they expect a 10% increase in sales and profits in a "normal" year. Much of this will come from new products. Explains Fred Durham: "When we've got such a big segment of the market as we do with many of our lines we like to go into other allied lines."

Thus acquisitions too are very much in the Dover picture. Says Fred Durham: "It's far easier and cheaper to acquire a business than to start from scratch." Right now Dover has a number of negotiations up its corporate sleeve. "Those we know about—if we close the deals—could add 25-to-30% to our volume this year." The ideal is to "get an outfit which will enlarge our product base and our sales base. They can sell our existing products as well as theirs and vice versa."

ELECTRONICS
Indiana Generalship

TO THE entertainment and political worlds, magnetism is a single intangible quality possessed by the most successful people in their field. In the industrial world magnetism is equally as intangible but with an abundance of uses. Indiana General Corp of Valparaiso, Ind gladly imparts this attribute to steel and other iron derivatives and makes a promising living doing it.

Product of the September 1959 merger of Indiana Steel Products and General Ceramics, the combined company presents a magnetic double threat: both steel (permanent) and ceramic magnets. The latter are made from iron compounds called ferrites. Indiana General claims 25-to-30% of the permanent magnet market, believes it is the largest manufacturer of ferrites in the US.

The magnets made by the Indiana Steel Products division (largest of Indiana General's three) are most widely used in the loudspeaker systems of radios and TV sets. They are also important ingredients in telephones, computers, electric motors, aircraft and missiles.

Steel is the basic constituent but other metals are necessary for a variety of capabilities. For instance the company's Alnico magnets contain aluminum, nickel, and cobalt; Cunife magnets have copper, nickel and iron; Indox are barium ferrites.

The company's Stearns division makes magnetic machines to separate unwanted "tramp" iron from industrial materials as they move on conveyor belts. Other machines may

pick up magnetic iron ore or scrap iron from junk yards. Many of these machines use magnets from the Steel Products division.

The ferrites of General Ceramics, which can withstand high frequencies of electricity without kicking up "eddy currents" impeding the flow of juice, are handy in television transformers and microwave equipment. A growing user of General Ceramics production is the memory unit of computers which calls for tiny magnetic doughnuts connected by hair-thin wires, arrayed in rows and thicknesses, each capable of storing bits of information and turning them over on request.

These scientific and industrial uses enabled the $13,000,000-assets company to roll up $19,900,000 in sales last year for a 23% gain over 1958 and almost double 1954 (all on a pro forma basis). Profits came to $1,552,000 ($1.38) *v* only $888,000 ($1.01) in 1958. Both figures are adjusted for 2-for-1 splits in 1955 and early this year.

Indiana General president Robert F Smith says company markets are expanding, figures 1960 sales at $22-to-23,000,000, earnings at $1.50 a share. First quarter results were about 15% ahead of last year but though second period figures are not yet tallied, some slow-up has been evidenced. The company publishes no breakdown of division sales, but it says the Ceramics division has shown the sharpest rise so far this year with Indiana Steel second.

Indiana General recently acquired an interest in Glass-Tite Industries which makes glass-to-metal hermetic seals for semiconductors. This was accomplished through sale of Indiana General's Advanced Vacuum Products subsidiary (also makes semi-conductor seals) for an undisclosed number of Glass-Tite shares.

Meantime Indiana General stock has been riding high. Listed on the Midwest Stock Exchange it trades around 63 or a fancy 42 times anticipated 1960 earnings. This is up from a low of 4½ in 1954 and 8⅝ as recently as 1958. Indiana General now has about 2,000 stockholders, is seeking listing on the Big Board.

President Smith expects many new applications of Indiana General's up-to-date permanent magnets. One is an electric system in cars far superior to present ones for operating the vast array of lights, radios and other appliances now fitted into the vehicles.

New magnets for Indiana General

The young lady to the right has reason to be pleased. She made her own swimsuit and beachcoat (the umbrella is an outside prop) with the aid of a McCall's pattern and a Singer sewing machine. And the smiling, modern look of this shapely customer is also indicative of the more up-to-date corporate attire now worn by 109-year-old Singer Manufacturing Company.

Long noted as a tight-lipped financial recluse, the sewing machine maker for the first time in its history published a quarterly statement this year. The report is a prelude to the Big Board debut some time this month for the 4,500,000 Singer common shares which currently sell around 68. Ever since the Amex moved indoors in 1921 conservative Singer has enjoyed unlisted trading privileges there. This left it free of such SEC requirements for listed companies as detailed proxy statements and insider trading reports.

Singer's March quarter tally revealed a 5% volume climb to $124,000,000 while net rose 12% to $5,800,000 or $1.30 a share v an estimated $1.16 a year earlier. President Donald Peter Kircher also expects "increased sales and earnings" for the full year.

This would mean another new sales record for Singer whose revenues passed the half billion dollar mark for the first time in 1959. Last year's profits while not equal to the lush 1955-57 period were a respectable $21,300,000 or $4.12 a share v $2.70 a share on an equivalent accounting basis in 1958. The detailed 1959 annual report, more than double its former length, pointed out two important accounting changes: 1) the sales figures included deferred instalment credits which previously were not included until collected; 2) International Securities Company with its 21 foreign and one domestic sales subsidiaries was consolidated into the parent accounts.

Singer reports had always covered operations in the Orient, Africa, Latin America and small European countries but now the statements also reflect results of International-held companies in such principal European countries as Italy, Germany, France. International was formed after the turn of the century to relieve Singer of heavy foreign taxation, issued its parent 300,000 common shares and sold 600,000 shares of 7% preferred to the public. At the end of 1959 Singer realized the arrangement was unnecessary, made the subsidiary wholly owned by redeeming the preferred for $1.15 a share.

Spearheading the Singer streamlining is 45-year-old Don Kircher who was elevated to the presidency two years ago. Since then Singer has im-

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ported from its 31%-owned affiliate in Clydebank, Scotland two cheaper sewing machines (the $120 portable "185" and the $70 Spartan) designed to meet ever-growing Japanese competition. Singer has also cut the number of basic household models from nine a few years ago to a current five; industrial versions have been scissored from 3,000 to 400.

Last month Singer divested itself of some unneeded property at its main manufacturing facilities in Elizabeth, NJ. The asking price for the 40 acres with 1,500,000 square feet of buildings space was rumored to be $3,000,000. Outsiders also believe Singer is willing to sell its 68,000 acres of valuable South Carolina timberland.

In addition to these basic alterations Singer counts on diversification to increase earning power. Two weeks ago it bought (for cash) Cobbler Brothers Machinery of Chattanooga, a $5,000,000-a-year producer of tufting equipment for the carpet and textile industries. This comes atop the May acquisition of Philadelphia's Fidelity Machine Company, already rechristened Singer-Fidelity. It makes machinery to knit seamless hose. Last year Fidelity earned $500,000 on sales of $4,700,000 and "its sales are running at a rate nearly double those of 1959."

Ventures far from sewing and textiles include Diehl Manufacturing which turns out motors and power tools and Haller, Raymond & Brown (now HRB-Singer), an infra-red reconnaissance systems and communications specialist (IR, Feb 19, 1958). Singer also has a 70% interest in Thurso Pulp & Paper which began operations in Quebec in 1958. Non-consolidated Thurso was in the red last year but will probably show a black entry for 1960 with its capacity raised 50% to 300 tons a day.

But even with its diversification, Singer intends to hold its world leadership in sewing machines. The $523,000,000-assets company sells nearly 2,000,000 units annually through 2,000 outlets in 155 countries. About half the volume comes from the US and Canada, the remainder from abroad.

HOPES AND DREAMS

About a hundred years ago, the Swiss philosopher Amiel wrote: "Tell me what you feel in your room when the full moon is shining in upon you and your lamp is dying out, and I will tell you how old you are, and I shall know if you are happy."

We wonder if anyone ever accepted his offer—and if so, what dreams of love and sorrow and adventure he heard.

We hear of people's dreams every day—in letters that tell about their hopes for the future. And if there's one thing we've learned from them, it is that the best things in life, the things that most people want, far from being free are likely to cost a good deal of money: a house by the sea, a trip abroad, a business venture, college for the children, comfort in retirement.

If you have dreams that money can buy but not quite enough money to buy them, perhaps we can help by suggesting how to put your surplus funds to work to earn more funds. Write to us, in confidence, telling us what you feel in your room when the full moon is shining in upon you, and we'll do our best to suggest how to invest with minimum risk and maximum rewards.

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